

Securities and Exchange Commission

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Washington D.C. 20540

Branch of Registrations and Examination NUAL AUDITED REPORT **FORM X-17A-5** PART III

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Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING	January 1, 2009	AND ENDING	December 31, 2009 X	
	MM/DD/YY		MM/DD/YY	
A. REGIS	STRANT IDENTIFICA	ATION		
NAME OF BROKER-DEALER:		,		
Prudential Bache Securities, LLC			OFFICIAL USE ONLY	
			FIRM ID. NO.	
ADDRESS OF PRINCIPAL PLACE OF BUS One New York Plaza	SINESS: (Do not use P.	O. Box No.)		
	(No. and Street)			
New York	New York		10292-2013	
(City)	(State)		(Zip Code)	
NAME AND TELEPHONE NUMBER OF P Mr. Anthony Trapasso	ERSON TO CONTACT	IN REGARD TO	THIS REPORT 212-778-7386	
			(Area Code -Telephone No.)	
B. ACCO	UNTANT IDENTIFIC	ATION		
INDEPENDENT PUBLIC ACCOUNTANT	whose opinion is contain	ned in this Report	*	
PricewaterhouseCoopers LLP				
(Name — If	Individual, state last, first, mic			
300 Madison Avenue	New York	NY	10017	
(Address)	(City)	(State)	(Zip Code)	
CHECK ONE: ⊠ Certified Public Accountant □ Public Accountant □ Accountant not resident in United St	ates or any of its possess	ions.		
	OR OFFICIAL USE ONLY			
	UR OFFICIAL USE ONL			

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^{*}Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

OATH and AFFIRMATION

February 23, 2010

State of New York

ss:

County of New York

I, the undersigned, officer of Prudential Bache Securities, LLC affirm that, to the best of my knowledge and belief, the accompanying financial statements and supplemental information pertaining to Prudential Bache Securities, LLC for the year ended December 31, 2009 are true and correct. I further affirm that neither the Company nor any officer or manager has any proprietary interest in any account classified solely as that of a customer.

Anthony Trapass

Chief Financial Officer

Subscribed and sworn before me; This 23rd day of February, 2010

Notary Public

AMANDA E. HEALY Notary Public, State of New York No. 01HE6102166 Qualified in New York County Commission Expires Nov. 24, 20//

PRUDENTIAL BACHE SECURITIES, LLC

Statement of Financial Condition As of December 31, 2009

SEC.I.D. No. 8-66040
This report is deemed PUBLIC in accordance with Rule 17a-5(e)(3) under the Securities Exchange Act of 1934.

SEO Mail Processing Section

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Washington, DC 121

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PricewaterhouseCoopers LLP
PricewaterhouseCoopers Center
300 Madison Avenue
New York NY 10017
Telephone (646) 471 3000
Facsimile (813) 286 6000

Report of Independent Auditors

To the Board of Managers and Member of Prudential Bache Securities, LLC:

Freewaterhouse Cooper LP

In our opinion, the accompanying statement of financial condition presents fairly, in all material respects, the financial position of Prudential Bache Securities, LLC ("the Company") at December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. This financial statement is the responsibility of the Company's management; our responsibility is to express an opinion based on our audit. We conducted our audit of this statement in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition, assessing the accounting principles used and significant estimates made by management, and evaluating the overall statement of financial condition presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.

February 23, 2010

Statement of Financial Condition December 31, 2009 (In thousands)

Assets	
Cash	\$ 50
Securities borrowed	315,129
Securities owned, at fair value	35,295
Receivable from brokers and clearing organizations	5,901
Total assets	\$356,375
Liabilities and Member's Equity	
Liabilities	
Securities loaned	\$326,921
Payable to brokers and clearing organizations	3,615
Securities sold, not yet purchased, at fair value	1,199
Due to affiliates	4,964
Income taxes payable	596
Accrued expenses and other liabilities	204
Total liabilities	337,499
Member's Equity	18,876
Total liabilities and member's equity	\$356,375

The accompanying notes are an integral part of this financial statement.

Notes to Statement of Financial Condition December 31, 2009 (In thousands, except where noted)

1. Summary of Significant Accounting Policies

Prudential Bache Securities, LLC (the "Company") is a limited liability company under the laws of Delaware. The date of inception of the Company was December 19, 2003, with operations commencing January 1, 2004. The Company is a wholly owned subsidiary of PFDS Holdings, LLC (the "Parent"), which is a subsidiary of PSG Holdings, LLC ("PSG"). PSG is an indirect wholly owned subsidiary of the Prudential Insurance Company of America ("PICA"), a subsidiary of Prudential Financial, Inc. ("Prudential"). The Company was formed to engage in general securities business as an introducing broker, clearing all transactions with and for customers on a fully disclosed basis through a clearing broker. The clearing broker carries all of the accounts of the customers of the Company and is responsible for the collection of and payment of funds and receipt and delivery of securities relative to customer transactions.

The Company is a broker-dealer formed under the Securities Exchange Act of 1934 and is registered with the Securities and Exchange Commission ("SEC"). The Company is also a member of the Financial Industry Regulatory Authority ("FINRA").

Proprietary securities transactions are recorded on a trade date basis.

Securities owned and securities sold but not yet purchased are recorded on a trade date basis and are carried at fair value. Fair value is based on quoted market prices or dealer quotes where those are available and considered reliable. Additionally, other factors may be considered where appropriate such as market prices for related or similar financial instruments and coupon, yield, credit quality, prepayment terms, volatility and other economic factors.

The Company self clears its proprietary transactions. Non-proprietary transactions are cleared by its clearing broker. The Company engages in proprietary arbitrage trading strategies involving equity securities, hedged by either single-stock futures, exchange traded options, swaps, OTC options, or combinations thereof. The Company's securities owned and sold, not yet purchased, at fair value, are based on quoted market prices or dealer quotes where those are available and considered reliable, as follows:

Sold.

	Owned	Not Yet Purchased
U.S. government obligations	\$ 553	
Money market funds	24,521	
U.S. corporate stocks	9,757	\$ 834
Options on US corporate stocks	464	365
•	\$35,295	<u>\$1,199</u>

The U.S. government securities owned shown above were pledged to the Company's clearing broker.

The Financial Accounting Standards Board ("FASB") requires the disclosure of the fair value of financial instruments, including assets and liabilities recognized on the Statement of Financial Condition.

Management estimates that the fair value of the financial instruments recognized on the Statement of Financial Condition (including receivables, payables and accrued expenses) approximates their carrying value as such financial instruments are short-term in nature.

Notes to Statement of Financial Condition December 31, 2009 (In thousands, except where noted)

The Company maintains its cash account with a large U.S. bank.

Securities borrowing and lending transactions are accounted for as collateralized financings and require cash or other collateral to be deposited. Securities borrowed and securities loaned are recorded at the amount of cash or other collateral advanced or received, respectively, as required. The Company also monitors the fair value of securities borrowed and securities loaned on a daily basis with collateral returned or collateral posted, respectively, as required. As of December 31, 2009, the fair value of securities borrowed by the Company was \$309,389, which the Company is permitted by contract or custom to sell or repledge. The fair value of these securities that had been sold or repledged was \$309,389. The fair value of securities loaned was \$315,307. These securities borrowing and lending transactions are collateralized as a percentage of the fair value of the investment positions. To mitigate the related counterparty credit risk, the amount of securities borrowed and securities loaned are marked to fair value on a daily basis and correspondingly, cash flows are exchanged between the borrower and lender to satisfy the resulting changes in collateral requirements. Interest revenue and expense are accrued based on rates associated with the related securities borrows and loans.

Receivable from brokers and clearing organizations consists principally of deposits and other balances with clearing brokers. Payable to brokers and clearing organizations consists principally of stock loan rebates and other balances with clearing brokers.

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

In June 2009, the FASB issued authoritative guidance for the Accounting Standards Codification™ (the Codification) as the single source of authoritative literature of U.S. generally accepted accounting principles (GAAP), excluding guidance of the SEC. The Codification consolidates all authoritative accounting literature into one internet-based research tool, which supercedes all pre-existing non-SEC accounting and reporting standards. New accounting guidance is now issued in the form of Accounting Standards Updates, which update the Codification. This guidance is effective for interim and annual periods ending after September 15, 2009, and the Company has adopted the Codification in the period ending December 31, 2009, and as a result has replaced references to standards that were issued prior to the Codification with a description of the applicable accounting guidance.

2. Related Parties

Under a Support Services, Space Sharing and Expense Agreement between the Company and its affiliate, Prudential Bache Commodities, LLC ("PBC"), the employees of the Company may provide services to both companies. The services provided by the majority of these employees are principally for the benefit of PBC. The Company accrues for and pays directly certain expenses related to its business activities, such as all sales commissions payable to registered personnel; all registration and examination fees; and all legal fees. PBC advances certain other expenses of the Company, such as salaries and employee benefits of support personnel, for which the Company pays PBC a monthly management service fee. PBC, however, has assumed all liabilities, whether accrued or contingent, related to the payment of such expenses advanced to the Company, including those related to the Company's employees. Accordingly, all employee compensation and other

Notes to Statement of Financial Condition December 31, 2009 (In thousands, except where noted)

benefits expenses including accruals and related liabilities are recorded on the books of PBC. The Company has a payable of \$785 to PBC included in Due to affiliates.

The Company clears its futures trades through its affiliate, PBC. Included in the Receivable from brokers and clearing organizations of \$5,901 is a \$228 receivable from PBC related to the Company's futures trading.

The Company executes non-customer securities transactions on behalf of PB Financial Services, Inc. ("PBFSI"), an affiliate with which the Company has a non-conforming subordination agreement. At December 31, 2009 this activity resulted in a payable to PBFSI of \$4,182 and cash collateral received on securities borrowed of \$198,483.

From time to time the Company has borrowings with an affiliate, Prudential Funding, LLC ("PFLLC"), that are used for financing its operating activities. These borrowings, of which none were outstanding during 2009 and at December 31, 2009, are typically on an overnight basis and at interest rates of 4-6 basis points above PFLLC's all-in costs of funds.

It is possible that the terms of these related party transactions may not be the same as those that would result from transactions with unrelated parties.

3. Fair Value of Financial Instruments

The FASB's authoritative guidance on fair value measurements defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Various valuation inputs are used to determine the fair value of assets or liabilities. Such inputs are defined broadly as follows:

Level 1 — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 — Other significant observable inputs (including quoted prices for similar securities, interest rates, etc.) for the asset or liability.

Level 3 — Significant unobservable inputs (including management's own assumptions in determining fair value) for the asset or liability.

The Company's assets and liabilities are mainly comprised of U.S. corporate stocks, equity options and Money Market Funds traded on exchanges and are classified as Level 1 assets / liabilities. The Company's US government obligations have a maturity of less than one year and are classified as Level 2. The Company did not have any Level 3 assets / liabilities during the year.

4. Income Taxes

In accordance with Federal and applicable state tax laws, the Company is treated as a branch of its single member owner, PICA. PICA is included in the consolidated federal income tax return of Prudential. The Company is generally not subject to state income taxes because the Company's single-member parent is an insurance company that generally pays state premium tax in lieu of state income tax.

Notes to Statement of Financial Condition December 31, 2009 (In thousands, except where noted)

Pursuant to the tax allocation agreement, Federal income tax expense or benefit is determined on a separate company basis. Members with losses record current tax benefits to the extent such losses are recognized in the consolidated Federal tax provisions. Deferred taxes are generally recognized when assets and liabilities have different values for financial statement and tax reporting purposes.

On January 1, 2007, the Company adopted the revised authoritative guidance for Income Tax Uncertainties which prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that a company has taken or expects to take on a tax return. The Company does not have any unrecognized tax benefits at December 31, 2009.

In December 2006, the Internal Revenue Service ("Service") completed all fieldwork with regards to its examination of the consolidated Federal income tax returns for tax years 2002-2003. The final report was initially submitted to the Joint Committee on Taxation for their review in April 2007. The final report was resubmitted in March 2008 and again in April 2008. The Joint Committee returned the report to the Service for additional review and Prudential responded to the Service's request for additional information. The Service proposed an adjustment which was submitted to the Joint Committee in October 2008. Prudential was advised on January 2, 2009 that the Joint Committee completed its consideration of the report and has taken no exception to the conclusions reached by the Service. Accordingly, the final report was processed and a refund was received in February 2009. These activities had no impact on the Company's results.

In January 2007, the Service began an examination of the consolidated U.S. Federal income tax years 2004 through 2006. For the consolidated U.S. Federal income tax years 2007, 2008 and 2009, Prudential participated in the Service's Compliance Assurance Program (the "CAP"). Under CAP, the Service assigns an examination team to review completed transactions contemporaneously during these tax years in order to reach agreement with Prudential on how they should be reported in the tax return. If disagreements arise, accelerated resolutions programs are available to resolve the disagreements in a timely manner before the tax return is filed. It is management's expectation this new program will shorten the time period between Prudential's filing of its Federal income tax return and the Service's completion of its examination of the return.

5. Credit Risk in Client Activities

The Company's customers' securities transactions are introduced on a fully-disclosed basis to its clearing broker. The clearing broker carries all of the accounts of the customers of the Company and is responsible for execution, collection of and payment of funds and receipt and delivery of securities relative to customer transactions. Customers' securities activities are transacted on a cash and margin basis. These transactions may expose the Company to off-balance-sheet risk, wherein the clearing broker may charge the Company for any losses it incurs in the event that customers may be unable to fulfill their contractual commitments and margin requirements are not sufficient to fully cover losses. As the right to charge the Company has no maximum amount and applies to all trades executed through the clearing broker, the Company believes there is no maximum amount assignable to this right. The Company has the right to pursue collection or performance from the counterparties who do not perform under their contractual obligations. The Company seeks to minimize this risk through procedures designed to monitor the creditworthiness of its customers and ensure that customer transactions are executed properly by the clearing broker. The Receivable from brokers and clearing organizations of \$5,901 includes a deposit of \$3,497 that the Company is required to maintain with clearing organizations.

Notes to Statement of Financial Condition December 31, 2009 (In thousands, except where noted)

6. Market Risk in Proprietary Trading

This is the risk of potential loss due to the fluctuation in the fair value of securities owned and securities sold, but not yet purchased. Risks arise in futures, options and other derivative contracts from changes in the fair values of their underlying financial instruments. Securities sold, but not yet purchased, represent obligations of the Company to deliver specified securities at contracted prices and thereby create a liability to repurchase the securities at prevailing future market prices. Accordingly, these transactions result in off-balance-sheet risk as the Company's ultimate obligation to satisfy the sale of securities sold, but not yet purchased, may exceed the amount recognized in the financial statements.

7. Net Capital Requirements

The Company is subject to the Uniform Net Capital Rule under the Securities Exchange Act of 1934. Under this Rule, the Company is required to maintain net capital, as defined, of not less than the minimum dollar net capital requirement of a reporting broker or dealer.

At December 31, 2009, the Company had net capital of \$18,163, which is \$17,913 in excess of the minimum required net capital.

The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934 in that the Company's activities are limited to those set forth in the conditions for exemption appearing in paragraph (k)(2)(ii) of the Rule.

The Company's ability to make capital and certain other distributions is subject to the rules and regulations of various exchanges, clearing organizations and other regulatory agencies.

8. Commitments and Contingencies

Litigation

The Company is subject to legal and regulatory actions in the ordinary course of its business. Management of the Company, after consultation with its legal counsel, believes there are no pending litigation and regulatory matters that would have any material adverse effect on the Company's financial statements.

9. Subsequent Events

The Company has evaluated whether events or transactions have occurred after December 31, 2009 that would require recognition or disclosure in these financial statements through February 23, 2010, which is the date the financial statements are issued.